

NGQUSHWA LOCAL MUNICIPALITY



VIREMENT POLICY

2017/2018

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1. DEFINITIONS

This Section also contains definitions explaining the meaning of certain words used in the Policy as well as provisions regarding the interpretation of the Policy.

In this policy, unless the context shows that another meaning is intended:

Accounting Officer: the municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA.:

Approved budget: means an annual budget approved by a municipal council.

Budget related Policy: means a policy of a municipality affecting or affected by the annual budget of the municipality. **Chief Financial Officer**: means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms of section 80 & 81 of the MFMA be delegated by the accounting officer to the chief financial officer.

- (a) **Capital Budget**: This is the estimated amount for capital item in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost which is normally written off over a number of fiscal periods.
- (b) **Council**: means the council of a municipality referred to in section 18 of the Municipal Structures Act.
- (c) **Financial Year**: means a 12 month year ending on 30 June.
- (d) **Line Item**: an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures {See Annexure "B" for the current item structure}
- (e) **Operating Budget**: the towns financial plan, which outlines proposed expenditure for the coming financial year and estimates the revenues used to finance them.
- (f) **Ringed Fenced**: an exclusive combination of the items grouped for specific purposes for instance salaries and wages.
- (g) **Service delivery and budget implementation plan**: means a detailed plan approved by the mayor of a municipality in terms of section 53(1) (ii) for implementing the municipality's delivery of municipal services and its annual budget.
- (h) **Virement**: is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Manager. To enable budget managers to amend budget in the light of experience or to reflect anticipated changes.
- (i) **PROJECT**: means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different department or functional areas of the municipality; and area concerned.
- (j) **Operating Costs**: means all the basic costs relating to the running of the municipality.

Abbreviations

- (i) CFO – Chief Financial Officer
- (ii) MM – Municipal Manager
- (iii) IDP – Integrated Development Plan
- (iv) MFMA – Municipal Finance Management Act No. 56 of 2003
- (v) SDBIP – Service Delivery and Budget Implementation Plan
- (vi) CM – Council Minute/'s

3 ENABLING LEGISLATION

- ❖ Municipal **Finance Management Act (MFMA)**, 2003 (Act No. 56 of 2003)
- ❖ MFMA Circular 51 of 2010

4. OBJECTIVES

The main objective is to allow limited flexibility in the use of budgeted funds. Furthermore, to enable management, to act on occasions such as disasters, unforeseen expenditure and unavoidable expenditure or savings. As they arise to accelerate service delivery in a financially responsible manner.

5. SCOPE

The policy will apply in all Directorates within the Ngqushwa Municipality and all Directors and relevant Heads of Departments are responsible to ensure that it is implemented accordingly. It will apply in all directorates, sub-directorates. All Directorates and staff categories of the Department shall be equally affected by the policy.

6. CONTENT

Virement Classification

Virement is the process of transferring budgeted funds from one line item number to another, with the approval of the relevant Manager, CFO & Accounting Officer, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. {Section 28 (2) (c) of the MFMA}

Financial Responsibilities

Strict budgetary control must be maintained throughout the financial year in order that potential overspends and or income under-recovery within individual PROJECT departments is identified at the earliest possible opportunity. (Section 100 MFMA).

The Chief Financial Officer has a statutory duty to ensure that adequate procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27 (4) MFMA).

It is the responsibility of each manager or head of a department or activity to which funds are allotted, to plan and conduct assigned operation so as not to expend or spend more funds than budgeted. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA section 32, 78 and 102.

Virement Restriction

(a) The following tabulated information provides the thresholds that shall be observed

| Threshold | Approver |
|-----------------------|--|
| R0 – R100,000 | CFO and Municipal manager |
| Greater than R100,000 | All Finance Managers including CFO and Municipal Manager |

(b) No funds may be viremented between Projects & Projects and Operating Costs & Operating Costs, without approval of both Project holders, the Chief Finance Officer and the Accounting Officer.

(c) Virements may not exceed a maximum of 1% of the total approved operating budget.

(d) A virement may not create a new policy, significantly vary current policy, or alter the approved outcome / outputs as approved in the IDP for the current or subsequently years. (section 19 and 21 MFMA)

(e) Virements resulting in adjustment to the approved SDBIP needs to be submitted with an adjustment budget to the council with altered output and measurements for approval. (MFMA Circular 13 page 3 paragraph 3).

(f) No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of the EXOC Committee. This refers to expenditure such as entering into agreements into lease or rental agreements such as vehicles, photo copiers or fax machines.

(g) No virement may be made where it would result in over expenditure. (Section 32 MFMA)

(h) If the virement relates to an increase in the work force establishment, then the council's existing recruitment policies and procedure will apply.

(i) Virements may not be made in respect of ring-fenced allocations.

(j) Budget may not be transferred from support service (interdepartmental) costs,

Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.

- (k) Budget may only be transferred from salaries/ compensation of employees if approved by the Municipal Manager through consultation with the CFO.
- (l) Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classification.
- (m) No virement are permitted in the first three months of the financial year without the express agreement of the CFO.
- (n) No virement proposal shall affect amounts to be paid to another Department without the agreement of the HOD of the Department, as recorded on the signed Virement form. (Section 15 of the MFMA).
- ☐ (o) Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets Section 9 of the MFMA.
- (p) An approved Virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement/supply chain management policy of Council as periodically reviewed.
- (q) Virement may not be made between Expenditure and Income (only during the adjustment budget).

Virement Procedures

- a) All Virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation.
- ☐ b) All virements must be signed by the Project/Operating Costs holder (per department) and the Manager within which the Project/Operating Costs are allocated, and approved by the Accounting Officer.
- c) A virement form must be completed for all Budget Transfers.
- d) Must include changes to the SDBIP.
- e) All documentation must be in order and approved before any expandability can be committed or incurred. (Section 79 of MFMA).
- f) The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.

Supplementary

This policy replaces any other policy or Council resolutions as far as they may refer to virements as defined in this policy.

Once agreed and approved by the Council the Virement policy should form part of Municipal Manager's formal delegation and Financial Regulations of the Municipality.

Transfers or adjustments falling outside the ambit of this policy must be submitted to the budget adjustment process in terms of section 69 of the MFMA.

- ☐ Direct any questions on this policy to the Budget Office

7. NON COMPLIANCE

Non-compliance to this policy will result to a disciplinary

8. MONITORING, EVALUATION AND REPORTING

A report detailing the progress with the implementation of Virement Policy with specific reference to achievement of this policy has to be compiled every year by the person with the responsibility for implementation and monitoring. The policy must be made available to all consulting parties for perusal and comment and must be circulated to all staff members by means of circulars, notices and notice boards.

9. COMMUNICATION

- ☐ Circulars, messages and notices on notice boards will be utilized in order to inform all employees of the availability of the policy. Copies of the policy will also be distributed to the parties that took part in the consultation process

10. REVIEWAL OF THE POLICY

It will be the responsibility of the Corporate Services Department to consider the provisions of this policy on annual basis. The Corporate Services Department shall request all Departments to submit their proposed changes for submission to Council for approval.

11. ADOPTION AND APPROVAL OF THE POLICY BY COUNCIL

This policy is adopted and approved by the full Ngqushwa Local Municipality Council for implementation.

NGOUSHWA LOCAL MUNICIPALITY: VIREMENT APPLICATION FORM



| | | | |
|--------------------|--|-----------------|------------------|
| NAME OF DEPARTMENT | | Virement Number | of 2015/16 |
|--------------------|--|-----------------|------------------|

| PART A : Details of the PROJECT from which the virement is to be made- (Giving PROJECT) | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|---------------------|--------------------------|--|
| PROJECT Number | | | | | | | | | | | PROJECT Description | Amount to be transferred | |
| | | | | | | | | | | | | R | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |

| PART B : Details of the PROJECT to which the virement is to be made- (Receiving PROJECT) | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|---------------------|--------------------------|--|
| PROJECT Number | | | | | | | | | | | PROJECT Description | Amount to be transferred | |
| | | | | | | | | | | | | R | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |

| PART C : Reason for the request of virements (Please indicate the motivation for the requested virement) | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | |

☐ I, hereby, certify that I have read and understood the requirements of the virement policy.

Requested by HOD : Signature:..... Date:

Recommended By: Signature: Date:

Approved BY: Signature:..... Date:

Developed By: Chief Financial Officer

Signature.....

Date.....31/5/2017

Recommended By: Municipal Manager

Signature.....

Date.....31/05/2017

Authorised By: Mayor

Signature.....

Date.....31/05/2017